

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

MCT-01 EB-08 COME-00 OMB-01 TRSE-00 FEA-01 /072 W

-----260007 052740 /61/53

R 251638Z FEB 77 CCY OF TEXT (PARA 2 SHUD READ 1)

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6749

INFO AMEMBASSY BOGOTA

AMEMBASSY GEORGETOWN

USCINCSO QUARRY HEIGHTS

USCINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 2001

C O R R E C T E D C O P Y (PARA 2 SHUD READ PARA 1)

E.O. 11652: GDS

TAGS: ECEM, ECRE, PORS, PINS, PFOR, SOPN, VE, US

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 1777 (NOTAL)

SUMMARY. DIPLOMACY ON THE HIGH WIRE: CRISIS IN RELATIONS
AVERTED BY PRESIDENT CARTER'S LETTER TO PEREZ OVER
ALLEGATIONS OF CIA PAYMENTS. TWO GUERRILLAS KILLED IN
SHOOT-OUT WITH MILITARY. NIEHOUS KIDNAPPING ONE YEAR OLD.
PETROCHEMICAL TROUBLES CONTINUE. END SUMMARY.

1. DIPLOMACY ON THE HIGH WIRE - CRISIS IN RELATIONS AVERTED
BY PRESIDENT CARTER'S LETTER TO PEREZ OVER ALLEGATIONS OF

CIA PAYMENTS. ON FEBRUARY 19 THE NEW YORK TIMES PUBLISHED A
STORY ALLEGING THAT PRESIDENT CARLOS ANDRES PEREZ, AMONG OTHER
WORLD LEADERS, HAD RECEIVED MONEY FROM THE CIA (WHILE
PEREZ WAS MINISTER OF INTERIOR (1962-63)). CARACAS'
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NORMALLYJAMMED STREETS WERE VIRTUALLY DESERTED--CARNIVAL
HAD BEGUN. THE NEWSPAPERS WERE PUBLISHING SLIMMER EDITIONS
REFLECTING NOT ONLY EMPLOYEE ABSENTEEISM BUT ALSO THE
FACT THAT MANY CARAQUENOS WERE OUT OF TOWN FOR THE HOLIDAY.
BY NIGHTFALL A STORM OF INDIGNATION, DENIALS AND OUTRAGE
HAD ERUPTED FROM THE GOV. FOR THE NEXT FIVE DAYS
THE CARACAS MEDIA WAS MESMERIZED BY AND REVELLED IN WHAT

COULD HAVE BEEN THE MOST SERIOUS STRAIN IN BILATERAL RELATIONS SINCE PEREZ ASSUMED OFFICE IN 1974.

ON FEBRUARY 20, PRESIDENT PEREZ, VISITING THE ANDEAN CITY OF MERIDA, MADE AN EXTRAORDINARILY TOUGH STATEMENT--THE ACCUSATIONS WERE PART OF A PLOT TO ATTACK HIM AND VENEZUELA BECAUSE OF HIS MILITANT DEFENSE OF THE COUNTRY'S RESOURCES (STEEL AND PETROLEUM NATIONALIZATION) AND HIS TOUGH POSTURE ON OPEC, CIEC AND OTHER THIRD-WORLD ISSUES. STATING THAT SINCE THE STORY WAS ATTRIBUTED TO CIA SOURCES, IT COULD ONLY HAVE BEEN LEAKED WITH THE APPROVAL OF "HIGH LEVELS" WITHIN THE USG. HE THEREFORE DEMANDED THAT THE USG DENY THE ALLEGATIONS.

ON FEBRUARY 21, PEREZ MADE A SECOND TOUGH STATEMENT, STRESSING THAT HIS AND VENEZUELA'S "DIGNITY" HAD BEEN OFFENDED. HE TERMED THE STORY "MORAL AGGSSION," CONTAINING A "MENDACIOUS, SLANDEROUS AND INFAMOUS ACCUSATION." HE ALSO SAID THE GOV WOULD TAKE THE INCIDENT TO ITS "ULTIMATE CONSEQUENCES." THE GOV RECALLED ITS AMBASSADOR FROM WASHINGTON FOR CONSULTATION, AND ITS UN AND OAS AMBASSADORS DIRECTLY ACCUSED THE USG OF COMPLICITY IN THE CHARGES. VARIOUS GOV SPOKESMEN SAID POINTEDLY THAT VENEZUELA WAS CONSIDERING ALL OPTIONS. A DELUGE OF INDIGNANT DENIALS GUSHED FROM ACROSS THE POLITICAL SPECTRUM, FROM FORMER PRESIDENT BETANCOURT TO SPOKESMEN FOR THE EXTREME LEFT. LEADERS OF ALL PARTIES, EXCEPT COPEI, CATEGORICALLY REPUDIATED THE ACCUSATIONS AND ECHOED THE PRESIDENT'S ARGUMENT THAT THE STORY WAS IN RETALIATION FOR VENEZUELA'S INDEPENDENT

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FOREIGN POLICY. ORGANIZATIONS REPRESENTING ALL EASPECTS OF VENEZUELAN LIFE, INCLUDING THE ARMED FORCES, RUSHED TO THE MEDIA WITH THEIR SUPPORT OF THE PRESIDENT, ADDING TO THE TENSION AND SUPERHEATED AIR OF EXPECTANCY.

THE ONUS WAS CLEARLY ON THE USG TO GET PEREZ OFF THE HOOK. TENSION CONTINUED TO MOUNT UNTIL PRESIDENT PEREZ RECEIVED A LETTER FROM PRESIDENT CARTER LATE IN THE EVENING OF FEBRUARY 22 (SHROVE TUESDAY). THE LETTER SAID THE ACCUSATIONS AGAINST PEREZ WERE GROUNDLESS AND MALICIOUS, PRAISED HIM HIGHLY AS A WORLD FIGURE AND AN OUTSTANDING LEADER OF A DEMOCRATIC COUNTRY. THE MEDIA GAVE INTENSE COVERAGE TO THE AMBASSADOR'S DELIVERY OF THE LETTER. THE FOREIGN MINISTER SAID THAT THE PRESIDENT CONSIDERED THE INCIDENT CLOSED. THE RELIEF WAS AUDIBLE AND THE BANNER HEADLINES REPORTING THE PRESIDENTIAL LETTER TESTIFIED TO THE SERIOUS OF THE INCIDENT.

IN A SUBSEQUENT MEETING WITH THE AMBASSADOR FEBRUARY 24,

PEREZ REITERATED HIS PERSONAL PLEASURE AT THE CARTER LETTER AND SAID THAT THE GOV HAS CLOSED THE DOOR TO THIS INCIDENT. ON THE AFTERNOON OF FEBRUARY 24, PEREZ SENT A WARM MESSAGE OF APPRECIATION TO PRESIDENT CARTER WHICH WAS CARRIED BY THE PRESS ON FEBRUARY 25 ALONG WITH THE TEXT OF PRESIDENT CARTER'S LETTER.

COMMENT: ONLY TIMELY ACTION BY THE UNITED STATES GOVERNMENT AVOIDED A SERIOUS DETERIORATION IN OUR RELATIONS WITH VENEZUELA AND TURNED THE SITUATION AROUND DRAMATICALLY. THE CLIMATE FOR BILATERAL RELATIONS, AT LEAST IN THE SHORT TERM, HAS IMPROVED. DOMESTICALLY, THE PRESIDENT EMERGED STRENGTHENED. MOST POLITICAL INSTITUTIONS AND MAJOR POLITICAL FIGURES FIRMLY SUPPORTED HIM, INCLUDING, IRONICALLY, THE FAR LEFT WHICH HAD BORNE THE BRUNT OF PEREZ' STERN MEASURES AS INTERIOR MINISTER. ONLY COPEI WAFFLED ITS RESPONSE, PERHAPS SEEKING TO RESERVE ITS POSITION FOR POSSIBLE USE IN THE 1978 CONFIDENTIAL

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PRESIDENTIAL CAMPAIGN. NEVERTHELESS, WHILE THE STORM HAS PASSED, THERE MAY BE RIPPLES, BOTH DOMESTICALLY AND TOWARD THE US IN THE FORM OF A HEIGHTENED SENSITIVITY TO "PLOTS" INVOLVING APPARENT USG LEAKS TO THE PRESS. IT WAS A

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05
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-----251859 047373 /53

R 251638Z FEB 77
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 6750
INFO AMEMBASSY BOGOTA
AMEMBASSY GEORGETOWN
USCINCSO QUARRY HEIGHTS
USCINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 2001

DRAMATIC AND DANGEROUS CARNIVAL.

2. TWO GUERRILLAS KILLED IN SHOOT-OUT WITH MILITARY. TWO GUERRILLAS WERE KILLED AND FIVE OTHERS CAPTURED AS A RESULT OF AN ENCOUNTER FEBRUARY 22 WITH A RANGER UNIT OF THE VENEZUELAN ARMY NEAR EL PAO IN BOLIVAR STATE. ONE OF THOSE KILLED WAS FALN GUERRILLA VICENTE CONTRERAS DUQUE, WHO WAS ON OF 23 PARTICIPANTS IN THE MASSIVE JAILBREAK FROM SAN CARLOS PRISON IN JANUARY 1975. CONTRERAS IS ONLY THE FOURTH OF THE ESCAPEES TO HAVE BEEN LOCATED IN THE INTERVENING TWO YEARS. TITO GONZALEZ HEREDIA WAS KILLED IN A SHOOT-OUT WITH THE POLICE IN CARACAS, AND RAMON MORALES ROSSI AND ALI DEL CARMEN TORRES DOMINGUEZ WERE CAPTURED. THE OTHER GUERRILLA KILLED FEBRUARY 22 WAS JUAN ZAVALA GOMEZ, ACCORDING TO DEFENSE MINISTER FRANCISCO ALVAREZ TORRES.

3. NIEHOUS KIDNAPPING ONE YEAR OLD. FEBRUARY 27 WILL MARK THE FIRST ANNIVERSARY OF THE KIDNAPPING OF OWENS-ILLINOIS EXECUTIVE WILLIAM NIEHOUS FROM HIS SUBURBAN CARACAS HOME BY SEVEN ARMED MEN. IN SPITE OF A MASSIVE SEARCH IN DIFFERENT CONFIDENTIAL

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PARTS OF THE COUNTRY, SEVERAL ARRESTS, AND THE DEATH OF ONE SUSPECT WHILE IN POLICE CUSTODY, THE AUTHORITIES HAVE BEEN UNSUCCESSFUL IN LOCATING NIEHOUS. THE LASTT LETTER FROM NIEHOUS TO HIS WIFE WAS WRITTEN JULY 5 AND THE LAST COMMUNICATION FROM HIS ABDUCTORS OCCURRED IN AUGUST. A BS. 2 MILLION OFFER FOR INFORMATION LEADING TO NIEHOUS REMAINS IN EFFECT. GOV SECURITY AGENCIES CONTINUE TO FOLLOW UP ALL LEADS. OWENS-ILLINOIS' ATTEMPT TO NEGOTIATE A DEAL WITH THE KIDNAPPERS LAST YEAR LED TO THE NATIONALIZATION OF THE COMPANY'S VENEZUELAN ASSETS AS A REPRISAL BY THE GOV. NEGOTIATIONS BETWEEN OWENS-ILLINOIS AND THE GOV OVER A FAIR PRICE HAVE NOT YET ARRIVED AT A SATISFACTORY COMPROMISE. THE VENEZUELAN PRESS GAVE HEAVY COVERAGE TO MRS. NIEHOUS' FEBRUARY 24 PRESS CONFERENCE IN TOLEDO CALLING ATTENTION TO HER HUSBAND'S KIDNAPPING.

4. PETROCHEMICAL TROUBLES CONTINUE. THE OLEFIN PLANT, HEART OF THE VENEZUELAN PETROCHEMICAL INSTITUTE'S (IVP) EL TABLAZO COMPLEX IS TO BE SHUT DOWN FOR ABOUT SIX MONTHS FOR MAINTENACE AND REPAIR. THAT NEWS WAS MADE PUBLIC BY GENERAL VALENTINE MONTANA. PRESIDENT OF IVP, FOUR DAYS AFTER PRESIDENT PEREZ REPORTEDLY SEVERELY CRITICIZED IVP AND DEMANDED THAT ITS OPERATIONS BE PLACED ON A SOUND FOOTING QUICKLY. MONTANA BLAMED THE U.S. FIRM OF M.W. KELLOGG, DESIGNER AND BUILDER OF THE OLEFIN PLANT, FOR THE OPERATING DIFFICULTIES AND SAID IVP PLANS TO SUE. HOWEVER,

THE INSTITUTE'S LEGAL POSITION APPEARS QUITE WEAK. IN A MOVE DESIGNED TO CORRECT ADMINISTRATIVE DEFICIENCIES, IVP IS BEING REORGANIZED NOW AND WILL BECOME ONE OF THE SUBSIDIARY COMPANIES OF PETROVEN. MONTANA IS SEEKING \$171 MILLION FROM CONGRESS TO COVER COST OF INFRASTRUCTURE WORK AND NEW INVESTMENTS AT EL TABLAZO. BOTH MAJOR POLITICAL PARTIES HAVE CALLED FOR THE REMOVAL OF THE NATION'S PETROCHEMICAL INDUSTRY FROM THE POLITICAL ARENA. THE EXTREMELY AMBITIOUS PETROCHEMICAL INDUSTRY DEVELOPMENT PLAN ANNOUNCED IN MID-1976 HAS BEEN PLACED ON THE BACK

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BURNER FOR AN INDEFINITE PERIOD.

5. OTHER REPORTING THIS WEEK INCLUDED CABLES ON VENEZUELAN REACTION TO NEW YORK TIMES STORY (CARAS 1806, 1807, 1819 AND 1975), ARCO NATIONALIZATION (CARACAS 1847), U.S. OIL COMPANIES IN VENEZUELA: CURRENT PROBLEMS AND FUTURE PROSPECTS (CARACAS A-24) AND REQUEST FOR MARKET STUDY ON U.S. OIL MARKET (CARACAS 1866).

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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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SAS ID: 3231917
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Subject: THIS WEEK IN VENEZUELA
TAGS: ECEM, ECRE, PORS, PINS, PFOR, SOPN, VE, US
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3a461fbf-c288-dd11-92da-001cc4696bcc
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